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The bill allows an individual income tax subtraction for income earned as tips, effective in tax year 2018. A taxpayer may subtract from his or her taxable income the full amount of reported taxable tips that the individual received (and were reported to the Internal Revenue Service as income).

The bill additionally amends Minnesota's income tax withholding statute to exclude tip income from an employer's paycheck withholding, effective for tax year 2020. If implemented, an employer would be required to exclude the portion of a taxpayer's income represented by tips when calculating the amount of the taxpayer's Minnesota income tax withholding.